

# ■ EU EXPANSION

## OPPORTUNITIES FOR U.S. BUSINESSES

by David Fulton,

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Recently, the senior commercial officers based in the Czech Republic, Hungary and Poland visited Philadelphia, Chicago and Denver to brief U.S. firms on the eventual growth of the European Union (EU) and its impact on U.S. business interests, not only in these three Central European countries but the entire continent. The European Union (EU) is an institutional framework that promotes close political and economic cooperation, including a vibrant and successful single market, among its 15 member states. Enlargement is one of the biggest tasks facing the EU as it enters the 21st century. The process of new members acceding to the EU from Central and Eastern Europe is creating many new opportunities for U.S. exporters and investors. While the EU is already one of America's most important trading partners, enlargement is expected to further increase the importance of the EU as a partner. Strong growth in EU accession candidate countries and the many regulatory and legislative changes stemming from the membership process make it an excellent time for U.S. companies to start looking for business partners in Central and Eastern Europe.

The European Union has undergone four other enlargements since its establishment in 1957. Each time, the new members have added significant population and economic resources to the EU, making it one of the largest and richest markets in the world.

The next wave of enlargement will be unprecedented in scope. The EU has invited thirteen countries to begin accession negotiations, including: Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, the Slovak Republic, Slovenia and Turkey. The six "first wave" candidates alone (Poland, Hungary, Czech Republic, Estonia, and Slovenia) will add more than 60 million consumers to the European single market.

As part of the membership process, these countries must show that they have achieved:

- Stable institutions guaranteeing democracy, the rule of law, human rights, respect for and protection of minorities
- A functioning market economy as well as the capacity to cope with competitive pressure and market forces within the EU
- The ability to meet EU obligations, including adherence to the aims of political, economic and monetary union

Candidate countries are expected to adopt relevant EU legislation to reduce or eliminate barriers to movement of goods, services, labor and capital. Accession candidates must also bring their legislation into line with the EU's *acquis communautaire*, or common body of law, which covers a wide range of business-related issues from the free movement of goods, to corporate law, to intellectual property rights protection. This effort requires massive legislative and regulatory changes in each of the candidate countries. Each candidate country is working rapidly towards this end, both internally and through an intensive negotiation and consultative process with the EU.

The actual date of membership has not been established and will depend on the progress each country makes in meeting the EU's membership requirements, as well as on the pace of internal reforms in the EU itself. The key factor for American exporters to keep in mind is that the EU membership process requires many changes that are already taking effect, even before these countries become EU members. The business environment in these markets is evolving rapidly, and warrants close attention by U.S. companies interested in the region.

American and other non-EU companies are expected to benefit from an enlarged European Union. When regulations governing the EU's Single Market are extended to encompass

the new members, non-EU exporters will be able to deal with a single set of tariff regulations, trade rules and administrative procedures. Standards and certification rules will be harmonized, so that a product can more easily be approved for sale throughout the continent. These changes will help reduce the cost of doing business in all these markets, and will improve conditions for more investment and trade. In the interim before the accession process is complete, however, U.S. exporters face several challenges to expanding their business in these markets. As a result of bilateral agreements signed between candidate countries and the EU, U.S. exporters may find themselves at a competitive disadvantage to EU exporters, particularly in areas such as tariffs, standards, and certification procedures.

The EU accession process already has created a number of significant export and investment opportunities for U.S. firms. The European Union is providing money for major infrastructure improvements, while large American, European and Asian firms are pouring money into major production facilities both for domestic markets and for export to EU member states. American firms are the leading investors in several of these countries. This foreign investment has contributed to the impressive GDP growth registered by most of these countries in the past few years. Most analysts believe that foreign direct investment will continue at current strong levels for the foreseeable future, and that these economies have a bright future.

Poland, Hungary and the Czech Republic are the largest markets in Central and Eastern Europe. The U.S. Commercial Service offices in these markets have identified a large number of industry sectors in which the membership process is creating new opportunities for American exporters. For example, the need to comply with EU environmental requirements is creating a vibrant market for

wastewater treatment plants and equipment, recycling equipment and renewable energy equipment throughout the region. The Commercial Service also sees increased demand for countless products and services, including consumer goods, automotive after-market equipment, information technology equipment and services, e-commerce, food processing and packaging equipment, and a wide range of others. American exporters can find a wealth of market research on these and other subjects on the U.S. Commercial Service web site, [www.usatrade.gov](http://www.usatrade.gov), and can soon view a new web cast on this topic at [www.globalspeak.com](http://www.globalspeak.com).

Timing is crucial for U.S. companies to capitalize on the commercial opportunities that the EU accession process is creating. Companies should not wait for candidate countries to actually join the European Union before they pursue opportunities in these markets. By that time, many of the best local businesses will already be locked up in agreements with foreign companies, some from the U.S., but most from other EU member states.

To learn more about U.S. Commercial Service in EU candidate countries go to [www.usatrade.gov](http://www.usatrade.gov) or [www.cscen-traleurope.org](http://www.cscen-traleurope.org).

To learn more about the EU accession process and its impact on U.S. business, go the EU accession website of the Central and Eastern Europe Business Information Center (CEE-BIC) at [www.mac.doc.gov/eebic/ceebic.html](http://www.mac.doc.gov/eebic/ceebic.html). ■

## ENTERING CENTRAL EUROPEAN MARKETS

Most small and medium-size American firms enter Central European markets by finding a local agent, distributor or licensee to represent them. The U.S. Commercial Service offices in Central and Eastern Europe offer a full range of export assistance programs that have proven to be extremely effective in identifying qualified local companies that can become business partners for American firms. In fact, the U.S. Commercial Service reports that, because of the strong pro-American sentiment and good reputation of American products and services in these countries, American companies are considered highly desirable business partners. Most U.S. firms are able to choose a distributor or agent from a list of several strong candidates. The Commercial Service recommends that American companies investigate market opportunities in these EU candidate countries.

## TRADE EVENTS:

### *October 2001*

Environmental Technologies Matchmaker to Poland, Czech Republic and Hungary  
Contact: Molly Costa, Tel: (202) 482-0692;  
Email: [Molly.Costa@mail.doc.gov](mailto:Molly.Costa@mail.doc.gov)

### *December 2001*

Telecommunications Trade Mission to Poland, Czech Republic and Slovakia  
Contact: Beatrix Roberts, Tel: (202) 482-2952; Email: [Beatrix\\_Roberts@ita.doc.gov](mailto:Beatrix_Roberts@ita.doc.gov)

### *March 2002*

Info Tech and E-Commerce Trade Mission to Poland, Czech Republic and Hungary  
Contact: Jon Boyens, Tel: (202) 482-0573,  
Email: [Jon\\_Boyens@ita.doc.gov](mailto:Jon_Boyens@ita.doc.gov)

### *April/May 2002*

International Security Technology Mission to Austria, Germany, Poland and Czech Republic  
Contact: Howard Fleming, Tel: (202) 482-5163; Email: [Howard\\_Fleming@ita.doc.gov](mailto:Howard_Fleming@ita.doc.gov)